

## **FISCAL NOTE**

### **SB 2906 - HB 2976**

February 12, 2000

**SUMMARY OF BILL:** Creates the "Extraordinary Good and Fair and Common Sense Approach to Health Care and Funding Thereof Act". Increases the privilege tax on cigarettes from 13 cents per pack of 20 to 26 cents per pack of 20. Creates the Special Health Care Fund. Additional revenue generated by the increased tax shall be allocated to the Special Health Care Fund and used to fund activities related to long-term care and the TennCare program as allocated by the annual general appropriations act. Revenues and interest credited to the fund would not revert back to the general fund at the end of the fiscal year. The bill has an effective date of July 1, 2000.

#### **ESTIMATED FISCAL IMPACT:**

**Increase State Revenues - Net Impact - \$69,747,553**

**Increase State Expenditures - \$25,000 One-Time**

**Decrease Local Govt. Revenues - Net Impact - \$412,829**

Estimate assumes the following:

- Approximately 605,543,438 packs of cigarettes were sold last year.
- An increase in state revenues of approximately \$70,848,582 based on increasing the cigarette tax from 13 cents per pack of 20 to 26 cents per pack of 20.
- A decrease of in-state sales of approximately 5% or 30,277,172 packs due to the increased tax.
- Cigarettes are sold in packs of 20.
- An increase in state sales tax revenues of approximately \$4,183,912 resulting from the increased price per pack of cigarettes that generates additional sales tax revenue.
- A decrease of approximately \$5,284,941 in state sales tax revenue due to a decrease of in-state purchases of cigarettes.
- An increase in local government sales tax revenues of approximately \$1,568,751 resulting from the increased price per pack of cigarettes that generates additional sales tax revenue.
- A decrease of approximately \$1,981,580 in local government sales tax revenues due to a decrease of in-state purchases of cigarettes.
- A one-time increase in state expenditures of \$25,000 for MIS system implementation costs.

#### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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